

NEWSLINE EIGHT

Volume 14 November 2008

SBA's Monthly
News Update
-SERVING-
COLORADO
MONTANA
NORTH DAKOTA
SOUTH DAKOTA
UTAH
WYOMING

Newsline Eight is circulated to our resource and lending partners by SBA's Region Eight Office

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Helping small businesses
start, grow and succeed.



Your Small Business Resource

FIVE CRITICAL STEPS TO SECURING SMALL BUSINESS CAPITAL BY RUSSELL SMITH, REGIONAL ADMINISTRATOR

Cash flow is the life blood of all small businesses. Cash flow allows a business to make payroll, pay suppliers, and keep its doors open. We have been told that there is a credit crunch and that small business lenders are no longer extending lines of credit to their customers. As this region's strongest advocate for the small business community, I believe it is critical to understand the true facts about small business' access to capital in the current economic climate. Over the last two months, I have talked with many experienced commercial lenders to brief me on the current credit market, and to find ways to help our small business community survive these turbulent economic times. All lenders I talked to agree that capital is still readily available to credit worthy small businesses. The lenders noted that they are performing more due diligence on loan applications today than they did six months or a year ago. I was told that in the current economic environment small business borrowers are more wary to take on new debt, are waiting for the results of the election before making crucial business decisions, and have seen their revenues and liquidity drop severely over the last few months. Business owners that are too highly leveraged may have difficulty taking on new debt, even if that debt is critical to the survival of the business. My "impromptu" ribbon panel of lenders provided me with five critical steps that small business owners can do to help secure capital.

1. Borrowers must be credit worthy. Small business owners must avoid depleting their current liquidity or cash position. They must immediately deal with negative financial issues including poor or inaccurate credit reports, and must resolve all business and personal tax issues. A negative credit report and/or credit score can be a "deal buster". Back taxes, liens, garnishments, multiple bounced checks all show increased risk for a lender. Borrowers should deal with recent bankruptcies by providing an explanation of why it occurred. Address all of these issues prior to applying for the business loan.



2. Immediately develop a stronger business plan. All lenders stressed that a business plan must be well thought out, and realistic. The business plan should outline the money, management, and marketing of a business. One lender stated "I need to understand that you understand what you are getting into." Borrowers must explain how the money will be used, and how will it be repaid. Repayment ability is the critical factor. Without repayment ability, no lender will make the business loan. Few, if any, lenders provide 100 percent financing.

3. Plan for the worst case scenario. All lenders require borrowers to provide a minimum of 12 months of financial projections. These projections should be broken down into a month by month format. The business owner must understand how these assumptions were developed, and establish their validity. All lenders agree that the projections must be presented with a best case, mid-case, and worst case scenario. How will the business survive if revenues nose dive by 10 percent, 20 percent, or 30 percent over the next 6 to 12 months? There are no crystal balls or Ouija boards to answer this question. This "hands-on" forecasting will help the borrower become more strategic in their thinking, and help the lender feel more comfortable with repayment ability.

4. Two Years Business History is necessary. Our lenders made it absolutely clear that they were looking for established, financially strong, quality businesses to lend to. Working capital loans are becoming harder to approve, and lines of credit were being tightened or not extended. Loans to start-up businesses are more difficult to approve in the current economic climate. Lenders may require an additional cash equity injection by the owner, or even a seller carry back, to reduce the size of the loan. A proven franchise concept may help mitigate any risk.

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Five Steps To Securing Small Business Capital Continued..

5. Time to become a hands-on owner. This is not a time for business as usual. Collect accounts receivables in a timely manner – don't allow your customers to drag out the payment terms. If necessary, get in your car and visit the customers that have not paid timely and have large amounts of outstanding money owed to you. Don't keep all your cash liquidity tied up in inventory. Review your business operations to see what work can be handled in-house and not contracted out. Review each business expense item and eliminate discretionary expenses that could help generate additional cash flow. Eliminating unprofitable account relationships could also help the bottom line. Increase your efforts to market your business. Cutting new marketing expenditures maybe a mistake. Many business owners make the mistake of cutting marketing expenses when business slows. That might be the wrong decision to make. Access to capital is critical to the survival of many small firms across Colorado. This is especially true given the upcoming holiday shopping season. Though small business loans are still being made to credit worthy borrowers, many business owners do not comprehend what lenders require in a loan application. Their chances of securing a loan are better if they follow our Five Critical Steps to Securing Small Business Capital. The SBA has taken a statewide leadership role in advocating for the small business community during these uncertain economic times. The SBA remains committed to helping our small businesses weather the economic storm and prepare for brighter days ahead. Small business owners that have questions about obtaining a loan, or need assistance with other business issues, should contact our Small Business Economic Hotline at 303-844-2607 X 401.

SMALL BUSINESS WEEK NOMINATION DEADLINE LOOMS

The U.S. Small Business Administration is now accepting nominations for its 2009 Small Business Week Awards. This includes nominations for its prestigious Small Business Person of the Year award, and Champion Awards. All state award winners will compete for both regional and national honors. The national celebration will be held in Washington D.C on May 17–23, 2009. Some district offices will accept nominations until November 21st. **All nomination information and forms are located at <http://www.sba.gov/nominationsguidelines>.**

WYOMING!

The Wyoming District Office Veterans Affairs Officer, Dave Denke, will give a 30-minute presentation to attendees at the Transitional Assistance Program (TAP) at F. E. Warren Air Force Base in Cheyenne, WY on November 20th. He will talk about SBA's programs and services. For more information, please contact Dave Denke at (307) 261-6523 or email him at david.denke@sba.gov.

OFFICE OF ADVOCACY ESTABLISHES NEW BLOG BY JIM HENDERSON, REGIONAL ADVOCATE

Bark, Growl or Yip, come up to the minute with Advocacy's efforts on behalf of small business — meeting policymakers, uncovering new small business research, listening to you. Drop by Advocacy's new blog and find out more about the office's day-to-day activities and add your own views. The Small Business Watchdog is a place where you can ask questions about small businesses' contributions to the economy, discuss the impact of regulations on your business or industry, and connect with the small business community in your state or region, or around the country. In other words, the blog is another way of becoming a more effective Small Business Advocate. The Small Business Watchdog is located at <http://weblog.sba.gov/blog-advo>.

SOUTH DAKOTA OFFICE

The Sioux Falls SCORE Chapter will host an Economic Survival course on Saturday, November 15th. SCORE counselors will answer questions about starting or managing a business during these tough economic times on Saturday, November 15, 2008, from 8:00 a.m. to 3:30 p.m., at the Ramkota Hotel Best Western, 2400 N. Louise Avenue (I-29 at Russell St. – Exit 81) in Sioux Falls. Presentations on numerous topics including marketing, business plans, cash flow and financial projections, as well as IRS tax advice for small business. Presenters will discuss what services are available from SCORE, Small Business Development Center (SBDC), the SBA, Equip and the Governor's Office of Economic Development. There will also be a roundtable discussion by local business owners who will share their experiences. Fee for the workshop is \$40 per person (\$35.00 if paid one week in advance) and \$20 for each additional associate, and \$20 for students. This cost includes lunch and materials. Attendees are asked to pre-register. For more information, call 330-4243, ext. 44.

UTAH OFFICE

The Women's Business Center, the Salt Lake Chamber, American Express, and Wells Fargo will host the annual Women & Business Conference & Athena Award Luncheon on Tuesday, November 18, 2008 from 8 a.m. – 5 p.m. at the Little America Hotel. The conference has been expanded to a full day of exhilarating workshops to invigorate and make you fully engaged! Breakout sessions will include "Financial Track: Dollars and Sense – Learn how to ride out the storm of a volatile economy", "Avoid mistakes women make with money and discover new ways of doing "common sense" things that really make a difference in long-term financial gain. Approximately 600 attendees have already registered for this conference. For more information regarding this conference, please contact the Salt Lake Chamber at 801-328-5055.

EXPORT FINANCING, MADE EASY BY DENNIS CHRISBAUM

Export Financing Expands for Small Business Exporters

During 2007 and 2008, U.S. exports grew significantly faster than the general economy, accounting for up to half of U.S. GDP growth. While the slowdown in the U.S. has stalled domestic growth, countries like China and India are expected to continue to grow between 5% and 8% in 2009, representing sales opportunities for U.S. exporters. In fiscal year 2008, the U.S. Small Business Administration guaranteed 3305 loans, an increase of 11% over the previous year, totaling over \$1 billion to small business exporters. Both the **Export Express Loan program** (with guarantees of 75-85% and a maximum loan amount of \$250,000) and the **Export Working Capital Loan program** (with a 90% guaranty and a maximum loan amount of \$2 million) can support the export sales and expansion of small business exporters. For more information, please contact:

- Dennis R. Chrisbaum, Denver USEC (for UT, CO, WY): 303.844.6623 x 218; dennis.chrisbaum@sba.gov
- Inga Fisher Williams, Portland USEAC (for MT): 503.326.5498; inga.fisherwilliams@mail.doc.gov
- Nancy Libersky, Minneapolis USEAC (for ND, SD): 612.348.1642; nancy.libersky@sba.gov

MONTANA DISTRICT OFFICE

Join MCDC for FastTrac GrowthVenture, a comprehensive business training designed by the Kauffman Foundation that will put you in the driver's seat for growing your business. This course is designed for entrepreneurs who have experience running their businesses and want to learn ways to improve performance and plan for strategic growth. During the course you will learn practical skills to:

- Analyze your business and understand the market
- Streamline operations
- Understand the best ways to access the resources you need to succeed
- Build and maintain competitive advantage
- Plan for strategic and sustainable growth

Course Schedule

The ten-week course will be held Wednesday evenings
January 21 – March 25 6:00 – 9:00 PM

Cost

\$400 for 10 week session; includes materials.

Scholarships are available, call for details

To register:

Email Patty Cox, pattyc@mtcdc.org or 406-728-9234 ext 200 to register. Class size is limited and spaces are offered on a first come, first serve basis. A \$50 non-refundable deposit is required for registration.

SBA SMALL BUSINESS ECONOMIC HOTLINES REMAIN OPEN TO ASSIST REGION VII SMALL BUSINESS COMMUNITY.

Five district offices in Region VIII have launched their first-ever **Small Business Economic Hotlines** in response to the concerns raised by the nation's small business community during these uncertain economic times. The purpose of this hotline is to give small business owners a single phone number they can call with business related questions. Calls to these phone numbers will be promptly returned by SBA staff in the different district offices. "Small businesses across our region have raised concerns about how they can survive given today's economic situation," states Russell Smith, Region VIII Administrator. "I believe it is critical that the SBA in each state provide a single phone number for our small business community to get the answers they need on questions relating to surviving in this environment. Our business experts from the Small Business Development Centers, SCORE, and other education organizations can advise them on ways to enhance their marketing plans, re-evaluate their business plans, and look for new sources of financing. Many of these services are "free of charge." The hotline numbers are as follow: Colorado (303) 844-2607 X 401; Montana (406) 441-1095; South Dakota (605) 330-4243 Ext 10; Utah (801) 524-3204; Wyoming (307) 261-6505.